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SECURITY INFORMATION

CENTRAL INTELLIGENCE AGENCY

28 January 1952

SUBJECT: NIE-50: PROBABLE DEVELOPMENTS IN EAST GERMANY
THROUGH 1952

THE PROBLEM

To estimate the current situation and probable political, economic, scientific, and military developments in East Germany through 1952.

ASSUMPTION

That there will not be general war within the period of this estimate.

CONCLUSIONS

1. The Soviet objective in East Germany is the establishment of a highly industrialized Satellite state which will provide maximum economic contributions to the Soviet military

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potential and which will serve as a base from which the drive for a unified Communist Germany may be carried forward.

2. We do not believe that the Kremlin will give up or weaken its control over East Germany to secure control over all Germany or to prevent the integration of West Germany with the West.

3. There is little likelihood that the Kremlin will conclude a treaty of peace with East Germany until it has decided that it cannot prevent the integration of West Germany with the West and the rearmament of West Germany.

4. Further consolidation of the Communist position, more complete incorporation of East Germany into the Soviet Orbit, and continued progress in increasing industrial production, particularly of heavy industry, will probably be the principal developments in 1952.

5. East Germany will continue to strengthen the Soviet military potential through serving as a channel for obtaining critical materials and equipment from the West, through providing scientific manpower and research facilities, and particularly

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through the flow of its products to the USSR. Uncompensated deliveries to the USSR are expected to continue at the rate of about \$2,000,000,000 annually.

6. The limited capabilities of the East German Alert Police, which now number approximately 52,000 men, are not likely to increase significantly in 1952. The East German Air Force will probably not progress beyond the planning stage, and the capabilities of the naval force will remain minor.

7. Soviet occupation forces in East Germany constitute a poised threat to all of Western Europe and the Scandinavian peninsula. These forces include an estimated 1,100 Soviet-manned aircraft and ground forces numbering about 304,000 men, organized into 22 divisions, which form 4 mechanized and 2 rifle armies.

DISCUSSION

I. THE SOVIET OBJECTIVE

8. The Soviet objective in East Germany* is the establishment of a highly industrialized Satellite state which will provide

* East Germany includes the Soviet Zone of Germany and the Soviet Sector of Berlin. The German Democratic Republic (GDR) does not include the Soviet Sector of Berlin.

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maximum economic contributions to the Soviet military potential and which will serve as a base from which the drive for a unified Communist Germany may be carried forward. The reorganization of the political and economic structure of East Germany along Soviet lines and the incorporation of East Germany into the Soviet Orbit are almost certainly regarded by the Kremlin, not as substitutes for but rather as steps toward the ultimate formation of a unified Communist Germany under Soviet control.

9. We do not believe that the Kremlin will give up or weaken its control over East Germany to secure control over all Germany or to prevent the integration of West Germany with the West. As a tactical manoeuvre, the Kremlin might remove some of its more overt control mechanisms, but this would not affect the foundations of Soviet authority.

II. PROBABLE POLITICAL DEVELOPMENTS

Current Situation

10. Soviet control over East Germany is virtually complete and is assured by instruments and techniques similar to those described in NIE-33, "Soviet Control of the European Satellites and Their Economic and Military Contributions to Soviet Power through Mid-1953."

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11. After the establishment of the German Democratic Republic (GDR) in October 1949, the Soviet Military Administration was succeeded by the smaller and more centralized Soviet Control Commission, which governs the Soviet Sector of Berlin and maintains general supervision over the East German regime. The Socialist Unity Party (SED) -- which is the Communist Party of East Germany -- has been given all key positions in the GDR and has become the subservient executor of Soviet policy.

12. To maintain the fiction that East Germany is a democratic multi-party state, the Communists have permitted the existence of purged bourgeois political parties, the Christian Democratic Union (CDU) and the Liberal Democratic Party. The Communists use members of these parties to disseminate both covert and overt propaganda to West Germany. In 1948 the Communists created two new parties, the Democratic Peasants Party and the National Democratic Party, to enlist support among elements of the population reluctant to join the SED or not desired within the SED. In 1949 all political parties were forced into the National Front, an organization through which the SED directs and controls all political activity.

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13. The vast majority of the East German population are opposed to the present regime. There is, however, no evidence of organized opposition. The regime has gained some support in the last two years as the result of Communist education upon the youth, the slow but steady rise in the standard of living, and better concealment of Soviet controls and exploitation.

14. The regime has made great efforts to win over the youth (age group 6 to 25), who comprise more than a third of the population and who have had no adult experience under a democratic government. Although about one-half of the youth are members of Communist organizations, probably not more than half of these are now convinced supporters of the regime.

15. Substantial progress has been made during the last two years in merging East Germany with the Soviet Orbit. East Germany is a member of the Council of Economic Mutual Assistance (CEMA), an organization established by the USSR to help coordinate the economies of the Communist states of Eastern Europe. East Germany has trade agreements, cultural accords, and treaties of friendship with the USSR and with most of the Satellites, and it has a trade agreement with Communist China. However, the status of the GDR differs in several respects from that of the other major Satellites: (a) the USSR has not concluded a mutual

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assistance pact with the GDR or permitted it to conclude one with any of the other Satellites; (b) the USSR has not created East German armed forces comparable in size to the armed forces of the other Satellites; and (c) the USSR has not made the GDR a formal member of the Cominform.

PROBABLE DEVELOPMENTS IN 1952

16. The SED will probably become a smaller but more reliable and effective party as former Socialists and unreliable or suspect Communists are replaced by members of the Free German Youth. The privileges accompanying membership in the numerous mass organizations controlled by the SED will probably be increased in order to encourage their growth, and it will probably become increasingly difficult for East Germans to avoid participating in these organizations without incurring serious political and economic penalties. The bourgeois parties will probably be permitted to continue their subservient existence and the National Front will remain. The amount of active support which the regime receives from the youth will probably increase.

17. A number of issues and forces will continue to be troublesome for the Kremlin throughout 1952 but will not jeopardize

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Soviet authority in East Germany. Three of these -- the desire for a unified Germany, the traditional German attitude toward the Russians and other Slavs, and a strong sense of identification with the West -- derive from German history. Four -- the loss of the territories beyond the Oder-Neisse, the imposition of the Soviet system, reparations and general Soviet exploitation of the area, and the attraction of a free and more prosperous West Germany -- are direct products of the recent changes. However, East German political, economic, and social life is completely controlled by Communists subservient to the Kremlin and open opposition to the regime will almost certainly not develop in 1952.

18. There is little likelihood that the Kremlin will conclude a treaty of peace with East Germany until it has decided that it cannot prevent the integration of West Germany with the West and the rearmament of West Germany. We do not believe the Kremlin will reach this conclusion in 1952. Even if the Kremlin should conclude a peace treaty with East Germany, it is probable that the Soviet occupation forces would remain in East Germany on "request" of the GDR.

III. PROBABLE ECONOMIC DEVELOPMENTS

Current Economic Situation

19. East Germany constitutes approximately one-third of 1945 Germany in total area, population, arable land, and

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industrial capacity. When the Kremlin stopped the removal of capital equipment on 1948, East German industrial capacity was less than 50 percent that of 1936. Since 1948, the USSR has been attempting to restore the East German economy and to enlarge the East German industrial base. Although recovery has been steady, the Kremlin's program has been handicapped by East German dependence on the West for some raw materials and industrial equipment, by the continuing effects of Soviet removal of capital equipment, by the loss of East German access to Silesian and West German coal fields, and by uncompensated deliveries to the USSR.

20. Industrial production in 1950 is estimated to have been 85 percent of the 1936 level and in 1951 to have equalled the 1936 level.* Considerable progress has been made toward greater economic independence from the West. In 1950, 80 percent of the foreign trade of East Germany was with the Soviet Orbit, and this percentage will almost certainly increase. However, the standard of living in 1951 was only two-thirds that of 1936, in spite of slight but steady improvement since 1949.

* East German official statistics assert that industrial output in 1950 exceeded the 1936 level by 6 percent. The 1951 Plan scheduled an 18 percent increase in industrial output over 1950, making planned 1951 production 126 percent that of 1936.

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21. Progress toward nationalization of industry, a goal of the East German regime, has been made easy by the traditional role played by the German state in the economy. Heavy industry, transportation, and foreign trade are already under complete government control. According to official East German figures, 68 percent of industrial production in 1950 came from state-owned and Soviet-owned installations, with the percentage much higher for certain individual industries, such as synthetic fuel. This figure was scheduled to mount to 77 percent in 1951. Private industry and commerce now exist only under close regulation by the government, which controls investment and credit, allocates raw materials and labor to individual plants, and controls all subcontracting. Private enterprise is also subject to discriminatory taxes.

22. The government controls agriculture by allocation of seed and fertilizer, the Machine Lending Stations, the Farmers' Mutual Aid Society (Communist-controlled farm cooperative), and discriminatory crop delivery quotas. There has, for all practical purposes, been no collectivization of agriculture.

Five Year Plan

23. The Five Year Plan for 1951-1955, announced originally in July 1950 and revised in November 1951, reveals quite clearly

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that the organization of the East German economy is modelled on the Soviet pattern and that the principal Soviet economic objectives for East Germany for the next few years are:

- a. To expand East German industry, particularly those heavy industries equipped to contribute directly or indirectly to armament production or capable of early conversion to armament production. The average annual gross investment in industry under the Plan is scheduled to exceed the estimated 1936 investment in industry in this area by approximately 45 percent, and industrial production is scheduled to increase about 75 percent over the 1936 level by 1955. Emphasis has been placed upon the machine construction and metallurgical industries and upon those enterprises manufacturing heavy equipment.
- b. To absorb the East German economy into that of the Soviet Orbit and to ensure maximum East German contribution to Orbit economic and military strength. The four-year trade agreement signed on 27 September 1951 by the USSR

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and the GDR provides for extensive Soviet exports of grain, coke, iron ore, and pig iron to East Germany and for constantly increasing East German exports to the USSR of machinery, electro-engineering equipment, precision instruments, and liquid fuels.

East German Economic Contributions to Soviet Strength

24. East Germany is an important medium for obtaining from the West, especially from West Germany, materials and equipment which are important to the Orbit war potential and which the USSR and the other Satellites find difficult to obtain directly. We estimate that at least one-half of the total imports from West Germany are clandestine, and that a large portion, perhaps as much as one-half, of the total imports from West Germany are shipped directly to the USSR. The remaining materials and equipment are obtained for East German industries, primarily those which deliver products to the USSR, and for the industries of the other Satellites.

25. Soviet-owned industrial enterprises (SAG's)* manufacture about 22 percent of the total industrial production.

* When the USSR realized in 1946 that dismantling of East German factories was producing a cumulative detrimental effect upon production for reparations by other factories, it transferred some plants designated for dismantling to Soviet ownership but left them in East Germany to be operated with German labor and raw materials. A few of these plants have since been "sold" to the GDR.

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They have almost a monopoly in the basic chemical industries and control about one-third of East German brown coal production, two-thirds of the potash production, one-half of the metallurgical capacity, and one-half of cement capacity. SAG plants control about 31 percent of the electric power generating capacity and produce about 45 percent of the electric power. The East German regime has no control over the SAG plants, which obtain preferential treatment in the procurement of workers and which receive materials on a priority basis at prices fixed below production costs. Most SAG production is delivered to the USSR or exported on Soviet account.

26. East Germany receives no compensation for most of its deliveries of goods and services to the USSR. We estimate that these uncompensated deliveries to the USSR averaged approximately \$2,000,000,000 (in current dollars) annually from 1946 through 1950. In 1950 uncompensated industrial deliveries amounted to an estimated 17 percent of net industrial production in East Germany, and in 1951 to an estimated 13 percent of the increased East German net industrial production.

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27. The most important goods provided the USSR by East Germany are:

- a. Uranium ores and concentrates. East Germany is estimated to have supplied in 1950 approximately 45 percent of the Soviet Orbit's uranium ores and concentrates. This percentage may have declined slightly in 1951, but East Germany remains the largest single source of fissionable material available to the USSR.
- b. Engineering equipment. East Germany exports to the USSR approximately 50 percent of the total annual production of its engineering industries. Some items, which involve the use of highly skilled labor in their manufacture, constitute a particularly important contribution to Soviet industrial and military expansion, notably equipment for electrical installations and railroads, mining, metallurgical, and metalworking machinery, industrial instruments, and machine tools. The size of the East German engineering industry is illustrated by the fact that its 700 major plants employ about 700,000 workers and produce about 25 percent of the total value of East German industrial production.

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- c. Synthetic rubber. East Germany exports to the USSR about 50 percent of its synthetic rubber production, or an amount equal to approximately 10 percent of Soviet production. East Germany is the only Satellite which produces a significant amount of synthetic rubber, and it makes most of the chemicals used in synthetic rubber production. Its exports to Poland and Czechoslovakia constitute an additional contribution to the Orbit's military potential.
- d. Synthetic fuel. East Germany furnishes to the USSR about one-third of its synthetic fuel production, or an amount equal to about 25 percent of Soviet synthetic fuel production. The synthetic fuel industry of East Germany is the largest and most highly developed in the world and now produces almost 60 percent more than estimated domestic requirements. It is estimated that the current East German POL stockpile probably amounts to 50 percent more than the current combined annual needs of the domestic economy and the Soviet occupation forces.

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- e. Armaments. For the last three years East Germany has been an important manufacturer of small arms, weapons components, and munitions, and it may recently have begun to manufacture heavy armaments equipment, such as T-34 and Stalin tanks. Although available evidence does not provide data adequate for estimating the current level of arms production in East Germany, East Germany is the largest potential center for armaments manufacture among the Satellites.

Limitations on East German Economic Capabilities

28. The following deficiencies constitute the most important limiting factors on the Soviet program for expanding East German industrial production:

- a. The planned expansion of industry exceeds the supply of available skilled labor and management and estimated ability to train skilled workers, technicians, and managers. The manpower problem is particularly serious because young technicians and skilled workers are a small but important percentage of the estimated annual 250,000 defections to the West.
- b. East Germany lacks adequate supplies of many of the raw materials necessary for a modern industrialized economy. High-grade iron ore, coke, copper, lead, zinc,

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nickel, chromium, molybdenum, tungsten, caustics, sulphur, and pyrites are extremely limited in supply. Most of these raw materials are in short supply throughout the Orbit.

- c. Deficiencies in capital equipment also hamper the program. Machine tools, steel-making machinery, and electrical generating equipment are the principal vulnerabilities, and it has been difficult, if not impossible, to obtain these items from the West, even through clandestine trade. Most of the critical equipment needed in East Germany is in short supply throughout the Orbit, but these deficiencies will become less significant as domestic production increases.

Probable Developments in 1952

29. The Plan for 1952 schedules an increase in industrial production of approximately 18 percent over the 1951 level. It is probable that the over-all increase in production will not exceed 10 percent. However, the level of attainment in the key industries and the key factories, particularly those manufacturing military equipment, may more closely approximate the target percentage. Stockpiling will continue and East Germany will become an increasingly

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important advanced supply area. The number of plants owned and operated by the state will probably increase in 1952. All industrial facilities, with the possible exception of some small plants, will probably be state-owned and operated by 1955.

30. There has been little collectivization of agriculture, and there is no evidence that the regime plans to increase collectivization in 1952. Agricultural production and distribution are already effectively controlled. Collectivization would stimulate opposition and might result in reduced production.

31. Uncompensated deliveries to the USSR will almost certainly continue through 1952 at approximately the average annual rate of \$2,000,000,000 maintained since 1946, though they will probably be concealed more skillfully. The SAG's could be "sold" to the East German Government, with little loss to Soviet control or exploitation and with propaganda benefit, but there is no evidence that this transfer will be made.

IV. PROBABLE SCIENTIFIC DEVELOPMENTS

32. East Germany inherited an important portion of Germany's scientific tradition and resources. Although war destruction, emigration, dismantling, the deterioration of laboratory facilities,

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and Soviet regimentation have hampered scientific development, the number of scientists in East Germany now approximately equals the pre-war figure and the 6 universities, 13 technical schools, and numerous research departments and institutes remain important centers for scientific research and education.

33. Scientific research in East Germany since 1945 has been primarily in the applied fields, as distinct from basic or pure research, and has concentrated upon the development of substitute materials and the improvement of processes in heavy industry. Research upon the most important military items, such as the V-2 rocket, was transferred to the USSR in 1947 and 1948. The scientific research upon military items now being conducted in East Germany is under direct Soviet control, while the planning and direction of all other research are the responsibility of the GDR.

34. The USSR is encouraging scientific research in East Germany. Ample funds for research and preferential treatment are given to scientists. Many scientists have been returned to East Germany from the USSR since 1949. The program to lure scientists from West Germany has had little success, but contacts between the scientists of East and of West Germany do constitute political

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and scientific benefits for the USSR. Scientific research in East Germany compliments Soviet research in certain fields, such as electronics and bacteriology. However, the principal benefit to the USSR from East German science is not access to a superior body of knowledge but the use of additional scientific manpower and research facilities.

35. Scientific research in East Germany will probably continue along the lines established since 1945. It is probable that in 1952 slightly increased emphasis will be placed upon basic research and that increasing effort will be devoted to research in the fields of electronics and nuclear energy. A rapid expansion of enrollment in the educational institutions is planned. However, the current decline of standards in higher education in East Germany will impair the effectiveness of the increased number of research workers produced by this program.

V. PROBABLE MILITARY DEVELOPMENTS

East German Armed Forces

Ground Forces

36. The Alert Police, organized in 1948 to provide the cadres for an East German army of about 300,000 men, has an estimated strength of 52,000 men, organized into 24 Alert Units, several

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specialist organizations, and schools. These units have not expanded since November 1950, when they reached their present strength. Their capabilities are limited by inadequate equipment, insufficient training, and low morale. It is estimated that within six months the present units could be enlarged to about 100,000, formed into 8 small divisions, and prepared for combat, if they were integrated into Soviet corps. However, a major expansion of these units in 1952 is considered unlikely because it would stimulate the Western integration and rearmament program and alarm the adjacent Satellites.

Air Force

37. An East German Air Police Headquarters was established in January 1951, but evidence available thus far indicates that its functions have been limited to registering Luftwaffe veterans and politically reliable young men and to drawing plans for an air force. Some German pilots and crews are probably being trained now in the USSR, but the Kremlin could probably not integrate a German air unit into the Soviet Air Force or form a skilled and reliable East German air force before 1953.

Naval Force

38. The capabilities of the East German naval force are currently limited, and the personnel is not considered completely

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reliable. Soviet control is being improved through the elimination of all whose loyalty is suspect and through intensive political indoctrination courses. East German naval units probably have been conducting joint coastal defense and minesweeping operations with the Soviet naval forces, and in 1952 they could probably conduct limited anti-submarine, minesweeping, and patrol operations.

Soviet Occupation Forces

39. Control of East Germany has pushed the frontiers of the Soviet Orbit deep into the flat coastal plains of north-central Europe. East Germany provides the USSR an advanced offensive and defensive position. Soviet control of the area constitutes a poised threat to all of Western Europe and the Scandinavian peninsula.

40. The bulk of the Soviet forces in the Satellite area is concentrated in East Germany and constitutes the spearhead of Soviet military strength. Soviet ground forces stationed in East Germany number 301,000 men, organized into 22 divisions, which form 4 mechanized and 2 rifle armies. There has been no significant change in the composition or quality of these forces within the past two years, and there is no evidence that any change will occur within the period of this estimate.

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41. Approximately 1,100 Soviet-manned aircraft are concentrated in East Germany. The movement in the fall of 1951 of Soviet jet fighters from six East German air bases temporarily reduced Soviet air capabilities, but apparently these aircraft are now being replaced. The quality of the Soviet air force stationed in East Germany has improved greatly during 1951: jet fighters have now replaced conventional ones, jet light bombers are appearing, and long-range bombers have been sighted on East German airfields. Of the Soviet-manned aircraft now stationed in East Germany, approximately 400 are jet fighters, 150 light bombers, 270 attack bombers, 90 transports, and 40 reconnaissance planes.

42. The extensive Soviet program of air field improvement and construction in the Satellite area has concentrated most heavily upon East Germany, where 12 airfields can now support sustained, and 13 limited, operations by medium bombers. Six or 7 additional air fields will probably attain this standard by the end of 1952. The network of East German airfields is the best equipped in Eastern Europe and provides the most extensive and up-to-date facilities for night-flying and all-weather operations. Moreover, within the past six months, there has been a considerable increase in POL storage facilities and great improvement in the service and repair facilities.